

VZCZCXRO8810
PP RUEHDBU RUEHPW
DE RUEHBUL #1555/01 1281243
ZNY SSSSS ZZH
P 081243Z MAY 07
FM AMEMBASSY KABUL
TO RUEHC/SECSTATE WASHDC PRIORITY 7921
INFO RUCNAFG/AFGHANISTAN COLLECTIVE
RUEHZG/NATO EU COLLECTIVE
RUEHAD/AMEMBASSY ABU DHABI 1803
RUEHRH/AMEMBASSY RIYADH 4262
RUEHDE/AMCONSUL DUBAI 5054
RUEAIIA/CIA WASHINGTON DC
RUEABND/DEA HQS WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC 0457
RHEFDIA/DIA WASHINGTON DC
RHMCSUU/FBI WASHINGTON DC
RHMFISS/HQ USCENCOM MACDILL AFB FL
RUEKJCS/JOINT STAFF WASHINGTON DC
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
RUEKJCS/OSD WASHINGTON DC
RUEKJCS/SECDEF WASHINGTON DC
RUEHNO/USMISSION USNATO 3605
RUCNDT/USMISSION USUN NEW YORK 4026

S E C R E T SECTION 01 OF 04 KABUL 001555

SIPDIS

NOFORN
SIPDIS

DEPT FOR EB/ESC/TFN, S/CT, SCA/FO, SCA/A, IO/UNP
TREASURY FOR LMC DONALD, ABAUKOL, JCIORCIARI, AND
PDERGARABEDIAN
TREASURY PASS FINCEN
NSC FOR AHARRIMAN
OSD FOR MSHIVERS

E.O. 12958: DECL: 05/05/2017
TAGS: [PTER](#) [KTFN](#) [EFIN](#) [KPAO](#) [AF](#)
SUBJECT: AFGHANISTAN TERROR FINANCE - DISRUPTING EXTERNAL
FINANCING TO THE TALIBAN

REF: A. STATE 54915
[1](#)B. KABUL 725
[1](#)C. KABUL 339
[1](#)D. 06 KABUL 5921

KABUL 00001555 001.2 OF 004

Classified By: DCM Richard Norland for reasons 1.4(d)&(e).

SUMMARY

1.(S/NF) Afghanistan is actively engaged in the effort to disrupt Taliban financing. New cash courier procedures are being incrementally implemented and the central bank is increasing pressure on hawalas to register and to report their transactions to the Financial Transactions Reports Analysis Center of Afghanistan (FinTRACA). FinTRACA expects to sign intelligence sharing MOUs with counterpart Financial Intelligence Units (FIU) in Russia, Belarus, and Kyrgyzstan soon and hopes their completion will stimulate China and the UAE to sign intel-sharing MOUs. Work on charities regulation is just beginning. We believe Afghanistan's requesting assistance from its Islamic neighbors against Taliban financiers will apply great pressure for action. Furthermore, FinTRACA's membership in the Egmont Group and similar multilateral institutions would strengthen this strategy. Cooperation between the Pakistani and Afghan central banks is another essential element for success. NATO and U.S. troops should be trained to involve FinTRACA and other responsible Afghan authorities in all cases involving financial intelligence and suspected violations of the Afghan Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) laws. END SUMMARY

CASH COURIERS

2.(SBU/NF) Afghanistan enacted its AML and CFT Laws in 2003.

The central bank has issued implementing regulations covering prohibited and authorized activities, foreign exchange dealers, and money service providers. The central bank has begun implementing new rules on cash couriers. Cash declaration forms are now being circulated and collected at Kabul International Airport, although Ariana (the national airline) and KamAir (Afghanistan's only private airline) have so far declined to distribute cash declaration forms on their aircraft. The central bank is considering the possibility of stopping their flights, as authorized under the Anti-Money Laundering law, if the two airlines do not begin cooperating with the authorities.

3.(S/NF) Licensed cash couriers are reporting their shipments to the central bank, and the central bank is cooperating with the counter-narcotics police in developing a random search capability at the airport. Recent searches turned up two cash couriers that had failed to report their shipments. One was verified as a licensed Kabul Bank courier and the second was also determined to be legitimate.

CHARITIES

4.(S/NF) Post is in the process of identifying which GOA ministries are responsible for charities oversight. The Ministry of Economy, which has responsibility for registering NGOs, and the ministry of Haji and Islamic Affairs are the most likely candidates. We would appreciate receipt of information on charities regulation to provide to the appropriate GOA officials. (See also para 6)

KABUL 00001555 002.2 OF 004

HAWALAS

5.(S/NF) The central bank issued a new regulation on money service providers in October 2006. Implementation began in December (ref D), and the authorities took their first action against an unlicensed hawaladar in January (ref C). Hawaladar registration under the new regulation increased in Kabul following the action. Some hawaladars located in the provinces have begun registering their companies. During the week of April 28 - May 3, a team from the central bank, police, and attorney general's office swept through Kabul's hawaladar market seeking proof of registration from hawaladars. The purpose of the action was to induce further hawaladar registration. We understand the Governor of the central bank is prepared to close and seal the facilities of hawaladars that have not registered.

INTELLIGENCE SHARING

6.(S/NF) FinTRACA expects to conclude financial intelligence sharing MOUs with Russia, Belarus, and Kyrgyzstan during the next EAG meeting, and it hopes that the conclusion of these MOUs will spur China and the UAE to sign intelligence sharing MOUs soon afterwards. FinTRACA is considering proposing the negotiation of a financial intelligence sharing MOU with Saudi Arabia. These agreements would cover the sharing of intelligence on hawala transfers. FinTRACA is also planning to apply for observer status with MENA/FATF, whose acceptance would facilitate dialogue and information sharing between Afghanistan and the Gulf States. FinTRACA and FINCEN need to sign an intelligence-sharing MOU before FINTRACA can legally share its financial intelligence with the United States. FINTRACA has negotiated two financial intelligence sharing MOUs with domestic law enforcement entities, and will negotiate additional MOUs as needs dictate. Should Post receive specific intelligence on Taliban abuse of charities for financial transfers, we would inform Washington agencies and be prepared to pass the intelligence to appropriate GOA authorities subject to Washington agencies' guidance.

COMMENTS ON THE DEFT STRATEGY ELEMENTS

7.(S/NF) Post welcomes the opportunity to provide a few selected comments on the elements of a wide-ranging strategy document. Here are some recommendations keyed to the objectives listed in ref A.

I.A.1) EMBASSY COMMENT: We should encourage the GOA to approach Saudi Arabia (KSA) on these actions, including the sharing of financial intelligence developed by FinTRACA with the Saudis. Thus, we also need to push the Saudis to conclude a financial intelligence sharing MOU with FinTRACA. We may wish to consider joint or group demarches on selected Taliban donors. Embassy Riyadh may need to coach the Afghan Embassy to the KSA on this issue.

I.A.2) EMBASSY COMMENT: Likewise, we should encourage the GOA to approach the UAEG on the list of actions in this section and encourage the UAEG to conclude the financial intelligence sharing agreement with FinTRACA as soon as possible. When appropriate, we should invite the Afghan Embassy in Abu Dhabi to participate in joint/group demarches on this issue. Embassy Abu Dhabi may need to coach GOA officials from the Afghan Embassy on this issue. With respect to recommendation I.A.2.8, we suggest inviting the GOA to participate in the JTFCC discussions related to DEFT.

KABUL 00001555 003.2 OF 004

We would appreciate Embassy Abu Dhabi's and Consul Dubai's opinions as to whether FinTRACA should negotiate a financial intelligence sharing MOU with the Dubai Financial Harbor regulatory authorities.

I.C) EMBASSY COMMENT: We recommend adding a new item I.C.1.12: Encourage the Pakistan central bank to establish cooperative links with the Afghan central bank including information sharing, targeting and joint action against Taliban financiers, cash couriers, and Hawalas. We should encourage Pakistan's FIU to approach FinTRACA to negotiate a financial intelligence sharing MOU.

II.A) EMBASSY COMMENT: Please delete Afghanistan from item II.A.2.2. It has put in place the legal and regulatory authorities to address the cash courier challenge and is taking action. We welcome the proposal in II.A.2.3 and look forward to reviewing project proposals as soon as they are developed. Item II.A.2.4 should be deleted. There are no U.S. and NATO forces assigned to the Border Management Initiative. With respect to the items listed under II.A.3, FinTRACA would need to conclude financial intelligence sharing MOUs to share information with the potential partners listed here (see above).

II.B) EMBASSY COMMENT: Please delete Afghanistan from item II.B.1. It has put in place the legal and regulatory authorities to address the abuse of Hawalas and is taking action. In Afghanistan, our emphasis has been and should continue to be on Action II.B.3. With respect to item II.B.4, FinTRACA will need to sign financial intelligence MOUs to share information with neighbors and partners.

II.D) EMBASSY COMMENT: We recommend adding an item II.D.3 - Facilitate FinTRACA's membership in the Egmont Group and similar multilateral institutions. Afghanistan's ability to raise issues multilaterally in these groups would enhance our mutual effort to disrupt Taliban financing.

III.A) EMBASSY COMMENT: While we have no problem with item III.A.1, we have serious concerns about items III.A.2 and III.A.3. Afghanistan remains a cash economy. Large amounts of legal currency are transported around this country every day. For example, in February, the central bank branch in Mazar-i-Sharif loaded millions of dollars into the trunk of a car and drove these legal funds to Kabul by road. We would recommend modifying these two actions to say that U.S. and

ISAF forces should be trained to involve immediately Afghan authorities responsible for enforcing Afghan laws on illicit finance whenever suspicious information or individuals are encountered. Only the central bank and FinTRACA will have the expertise to evaluate such cases. With respect to III.A.4, FinTRACA would need to negotiate an MOU on financial intelligence sharing with NATO/ISAF to effect this objective.

COMMENT

8.(S/NF) Now that we have a comprehensive set of tasks, we will need to link, prioritize, and sequence them. Coordination of this undertaking will be a serious challenge.

Embassy looks forward to participating in this process. We also want to stress the importance of involving the Afghans in diplomatic efforts to influence neighbors to be more aggressive with their activities to constrain Taliban financing. We believe that requests for action against known Taliban financiers from Afghanistan, an Islamic country, will

KABUL 00001555 004.2 OF 004

put great pressure on Islamic neighbors to respond favorably.

END COMMENT.

WOOD